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Executive Summary

All UK government departments are required to achieve value for money in their use of public funds. In recent years, DFID has been working to build value for money considerations further into its management processes and its relationships with implementers and multilateral partners, establishing itself as a global champion on value for money. Against the background of the 0.7% aid spending commitment, the pledge to achieve 100 pence of value for every pound of aid spent has become central to the political case for the aid programme.

In this performance review, we explore DFID’s value for money approach, its progress on embedding value for money into its management processes and whether its efforts are in fact helping to improve value for money. In addition to new research, including visits to four country offices and desk reviews of a sample of programmes, the review draws together findings from other ICAI reviews. It has been undertaken in parallel with two reviews of DFID’s procurement practice, which is another important driver of value for money. We focus here solely on DFID, which currently spends around three quarters of UK aid. Other ICAI reviews cover the aid management practices of other departments and cross-government funds.

As value for money is both a process and an outcome and cuts across all aspects of DFID’s operations, we have not scored this review. Our judgments about performance are summarised in the final chapter, along with our recommendations for how DFID could do better.

Is DFID’s approach to value for money appropriate to the needs of the UK aid programme?

The broad principles for how UK government departments should ensure value for money are set out in HM Treasury guidelines. They include making sure there is a clear economic case for each spending programme, tracking costs and evaluating results. DFID’s Smart Rules are consistent with these principles.

DFID uses a 3E framework – economy, efficiency and effectiveness – to track value for money through its results chain (from inputs to outputs, outcomes and impact). Increasingly, it adds equity as a fourth E, in line with its commitment to ensuring that women and marginalised groups are not left behind.

Internationally, DFID is a strong advocate for the value for money agenda, as part of the UK’s global commitment to strengthening development assistance. It encourages programme partners – whether partner governments, non-governmental organisations or commercial suppliers – to focus on value for money. It considers value for money in its funding of multilateral agencies, and has encouraged them to improve their systems for maximising results.

Overall, we find that the value for money approach has become more holistic over time, with greater emphasis on the quality as well as the quantity of results, despite measurement challenges. By incorporating equity into its value for money assessments, DFID has also acknowledged that reaching marginalised groups may entail additional effort and cost. However, DFID has yet to develop methods for assessing value for money across different target groups, to inform operational decision-making. It could also do more to take account of the sustainability of its results, giving it a longer-term perspective on value for money.

We find that DFID’s value for money approach has a strong focus on controlling costs and holding implementers to account for efficient delivery. For simpler interventions where the results are more predictable (such as vaccination programmes), this may provide sufficient assurance that overall value for money is being achieved. In more complex programmes (such as helping local communities adapt to climate change), the right combinations of interventions in each context may only become apparent over time. Achieving value for money also requires experimenting and adapting. At present, DFID’s value for money guidance does not draw this distinction. While it has taken steps in recent years to introduce adaptive programming, it is still working through the value for money implications. We have seen few examples in our sample programmes of experimentation with different combinations of outputs to see which proved most cost-effective.
DFID’s results system is not currently oriented towards measuring or reporting on long-term transformative change – that is, the contribution of UK aid to catalysing wider development processes, such as enhancing the ability of its partner countries to finance and lead their own development. DFID’s commitment to promoting structural economic change is an example of a complex objective that is not measured through the current results system. We also find that DFID’s commitments on development effectiveness – such as providing aid in ways that support local capacity, accountability and leadership – are not reflected in its value for money approach. There is a risk that the current approach leads DFID to prioritise the short-term and immediate results of its own programmes over working with and through others to achieve lasting change.

How well are value for money considerations embedded into DFID’s management processes?

Value for money has been thoroughly integrated into DFID’s programme management. Staff show a keen awareness of DFID’s commitment to value for money and their own responsibility for ensuring it. We noted a number of reforms since our 2015 review, *DFID’s approach to delivering impact*, that have supported this – including the introduction of senior responsible owners empowered to make decisions within a framework of guiding principles, performance expectations and accountability relationships.

Value for money is assessed in the business case for each new programme, using a mixture of quantified cost-benefit analysis and narrative justification. In most of the cases we reviewed, the appraisal was carried out diligently. However, the assumptions behind the original economic case are not routinely checked during the life of the programme. For example, the value for money case for a skills development programme may depend on assumptions about how many people trained will go on to find jobs. If these assumptions prove incorrect, the programme may need to be adjusted.

Programmes now routinely monitor key costs through the life of the programme (such as, for an education programme, the costs of new textbooks or training teachers). This information is assessed in the value for money section of annual reviews. In our sample, these assessments were of mixed quality and in some instances appeared written to justify the continuation of the programme, rather than test whether the value for money case was being achieved.

Annual review scores – which are a key control point in DFID’s programme management – relate to progress at output level, and not to achievement of outcomes or value for money as a whole. According to DFID’s own assessment, this scoring system risks creating incentives to focus on efficiency of delivery more than on progress towards end results. We are also concerned that the system creates pressures for optimistic scoring of programmes. DFID often sets ambitious targets for programmes at design, only to revise them downwards in light of experience. Across our sample, output targets had been reduced in 22 of 24 programmes. Programme logframes are not meant to be static and adjustments are to be expected. However, the flexibility of targets makes it difficult to assess whether a positive annual review means good programme performance or a lack of ambition in the targets. We could also find no requirement to check that the original economic case for a programme still holds following a downgrading of targets.

DFID’s centrally managed programmes, which undertake large numbers of often small-scale activities in partner countries (for example, there are 135-140 centrally managed programmes active in Uganda alone), are often poorly coordinated with in-country programmes, presenting a potential value for money risk. Some of the more recent centrally managed programmes, however, are better coordinated since they are designed to add value to country portfolios and capacities in challenging areas such as economic development.

It is in the management of country portfolios that we find the most significant gaps in DFID’s value for money approach. In other reviews, we have welcomed improvements in DFID’s diagnostic work (the analytic work that guides DFID’s investment choices) and some promising moves towards better risk management at the country portfolio level. However, there is no system for reporting and capturing results at that level. DFID tracks the performance of its country portfolios through a Portfolio Quality Index, but this is derived from annual review scores and shares their limitations. DFID country programmes pursue a range of cross-cutting objectives, such as promoting structural change, building resilience to climate change, tackling gender inequality and supporting openness and transparency in the fight against corruption. These country-level cross-cutting objectives are important to the achievement of the Sustainable Development Goals, but do not currently feature in DFID’s approach to assessing value for money. DFID’s value for money approach should focus not just on the achievements of each individual programme, but on how they work together to deliver lasting impact.
Have DFID’s efforts led to improvements in value for money?

Across our sample of 24 programmes, programme documents recorded 29 specific instances where programme managers or implementers had found ways to improve value for money. Most of these involved cost savings, for example through better procurement. We find that DFID is diligent at pursuing incremental improvements in value for money at programme level. However, we also found few examples of efficiency measures that went beyond cost to consider options for new and better ways of doing things.

DFID has got better at identifying underperforming programmes and taking remedial action – including closing them where necessary and reallocating the resources. There are signs of a positive shift in the corporate culture towards acknowledging and learning from failure. We also saw a good range of evidence that DFID’s advocacy with multilateral partners has encouraged them to strengthen their management systems, leading to improvements in value for money.

DFID is in the process of developing sector-specific guidance on value for money in a welcome step towards a more structured approach to learning. However, our observation is that DFID staff and implementing partners are often required to develop their own solutions to complex value for money challenges, sometimes with an element of reinventing the wheel, rather than being able to draw on a bank of tried and tested methods. While we saw some instances of targeted learning support, a more systematic approach to learning, particularly across sectors and themes, could help to reduce transaction costs, promote consistency (where appropriate) and build an evidence base beyond individual programmes.

Conclusion and recommendations

Overall, we conclude that DFID has come a long way in embedding value for money into its business processes. Its diligence is improving the return on the UK investment in aid, which is most visible through incremental improvements in economy and efficiency at programme level. We also found some gaps and weaknesses, including a tendency to focus on economy and efficiency rather than emerging impact, shortcomings in the annual review process, and a lack of attention to retesting the original value for money proposition in light of implementation experience. Cross-cutting drivers of value for money, such as levels of country partner ownership and potential synergies between programmes, are not clearly identified at the portfolio level, although we welcome the increased focus on ‘leaving no one behind’. A more ambitious value for money agenda would address the larger question of how UK aid is helping to deliver transformative change in its partner countries.

We offer the following recommendations to help DFID strengthen its value for money approach further.

Recommendation 1
DFID country offices should articulate cross-cutting value for money objectives at the country portfolio level, and should report periodically on progress at that level.

Recommendation 2
Drawing on its experience with introducing adaptive programming, DFID should encourage programmes to experiment with different ways of delivering results more cost-effectively, particularly for more complex programming.

Recommendation 3
DFID should ensure that principles of development effectiveness – such as ensuring partner country leadership, building national capacity and empowering beneficiaries – are more explicit in its value for money approach. Programmes should reflect these principles in their value for money frameworks, and where appropriate incorporate qualitative indicators of progress at that level.
Recommendation 4
DFID should be more explicit about the assumptions underlying the economic case in its business cases, and ensure that these are taken into account in programme monitoring. Delivery plans should specify points in the programme cycle when the economic case should be fully reassessed. Senior responsible owners should also determine whether a reassessment is needed following material changes in the programme, results targets or context.

Recommendation 5
Annual review scores should include an assessment of whether programmes are likely to achieve their intended outcomes in a cost-effective way. DFID should consider introducing further quality assurance into the setting and adjustment of logframe targets.
1 Introduction

Purpose

1.1 With the UK’s commitment to spending 0.7% of gross national income on aid, the drive to achieve greater value for money has become a defining feature of UK aid. Since 2010, DFID has made a sustained effort to improve the integration of value for money concerns throughout its operations, both bilateral and multilateral.

1.2 Achieving and demonstrating value for money in development aid is a complex undertaking with major implications for the work of the department. In a 2015 report, DFID’s approach to delivering impact, ICAI recognised how DFID’s approach to value for money had helped to tighten the focus on results and increase accountability over the aid budget. It also expressed concern that the value for money tools then available in DFID emphasised the cost of inputs and the delivery of short-term results over sustainable impact and transformative change.1

1.3 Since our 2015 report, DFID has introduced substantial changes in its approach to value for money. In light of the importance of the topic, we have undertaken a review of DFID’s approach to maximising value for money across its portfolios and programmes and its relationships with multilateral partners. The review draws on new evidence gathered across a wide range of programming at country and centrally managed levels, as well as value for money-related findings from past ICAI reviews. In parallel, we are also conducting two reviews of DFID’s procurement practice – another important driver of value for money.2

1.4 We have chosen to focus this review on DFID, as the specialist aid department responsible for around 75% of the UK aid budget. However, in recognition that other departments play an increasingly important role in managing UK aid, we are also conducting a series of reviews on major new cross-government aid instruments and programmes. These include published reviews on the Prosperity Fund3 and the Global Challenges Research Fund,4 and an upcoming review on the Conflict, Stability and Security Fund.5 We also expect that lessons from this review will be of value to other aid-spending departments.

1.5 In this review, we assess whether DFID has an approach to value for money that supports the objectives and priorities of the UK aid programme and meets DFID’s obligations as a spending department. We assess how far DFID has progressed in embedding value for money into its management processes,

The government will ensure that every penny of existing ODA [official development assistance] and all new ODA spend is and remains good value for money. UK aid strategy, 2015

Our bargain with taxpayers is this. In return for contributing your money to help the world’s poorest people, it is our duty to spend every penny of aid effectively. My top priority will be to secure maximum value for money in aid through greater transparency, rigorous independent evaluation and an unremitting focus on results. Rt Hon Andrew Mitchell MP, then DFID Secretary of State, 12 May 2010, link.

1. DFID’s approach to delivering impact, ICAI, June 2015, link.
including programme and portfolio management, and then turn to the question of whether the focus on value for money is in fact driving improved returns on UK aid investment. Our review questions are set out in Table 1.

Box 1: ICAI and value for money

Providing assurance to Parliament and the public about the value for money of UK aid is a central feature of ICAI’s mandate. This role is acknowledged in the UK aid strategy, which identifies ICAI as one of the mechanisms for assuring value for money across the aid programme. Value for money is a cross-cutting theme in all ICAI reviews and ICAI also undertakes reviews focusing on specific aspects of value for money.

1.6 This review covers DFID’s bilateral aid programme (including bilateral programmes contracted to multilateral agencies) across both development aid and humanitarian assistance. It also examines how DFID considers value for money in its choice of multilateral partners and influences the value for money of its multilateral aid. We do not assess DFID’s resource-allocation model or the value for money of its administrative budget.

Table 1: Our review questions

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<thead>
<tr>
<th>Review criteria and questions</th>
<th>Sub-questions</th>
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<tr>
<td><strong>1. Relevance:</strong></td>
<td>Does DFID’s value for money framework and the design of its approach adequately support UK aid policies and priorities and the interests of intended beneficiaries?</td>
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<td></td>
<td>How suited is DFID’s framework to capturing the value for money of the full range of development results?</td>
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<td></td>
<td>Does DFID have an appropriate approach to promoting value for money in multilateral aid?</td>
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<td><strong>2. Effectiveness:</strong> How well are value for money considerations embedded in DFID’s management processes?</td>
<td>How effectively is value for money embedded and applied in the country portfolio and programme management cycle across the aid programme?</td>
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<td></td>
<td>Does DFID effectively identify and monitor the different elements of value for money throughout the programme cycle?</td>
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<td></td>
<td>Does DFID use value for money assessments to identify stronger and weaker value for money performance across portfolios of similar programmes?</td>
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<td></td>
<td>Is DFID’s selection of delivery channels and partners informed by value for money considerations?</td>
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<td></td>
<td>How effectively does DFID influence its multilateral partners to improve value for money?</td>
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<td><strong>3. Effectiveness:</strong> To what extent do DFID’s value for money tools, processes and accountabilities lead to improvements in value for money?</td>
<td>Does DFID succeed in improving value for money in specific programmes or across portfolios of similar activity?</td>
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<td></td>
<td>Does DFID succeed in identifying underperforming programmes and portfolios and then take appropriate action?</td>
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<td></td>
<td>Is DFID learning lessons which are informed by value for money processes and assessments?</td>
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6. [UK aid: tackling global challenges in the national interest, HM Treasury and DFID, November 2015, link.](#)
1.7 We have chosen to conduct a performance review, as our focus is on DFID’s management processes (see Box 2). On this occasion, as with ICAI’s 2015 review DFID’s approach to delivering impact, we have decided not to score DFID’s performance. As all of DFID’s management processes and programming choices influence its ability to achieve value for money, we judge that the topic is too broad for a single performance score. Our objective here is to identify areas where DFID can continue to strengthen its management processes to improve the value for money of UK aid.

Box 2: What is an ICAI performance review?

ICAI performance reviews take a rigorous look at the efficiency and effectiveness of UK aid delivery, with a strong focus on accountability. They also focus on management processes in aid-spending departments and examine whether their systems, capacities and practices are robust enough to deliver effective assistance with good value for money.

Other types of ICAI review include impact reviews, which examine results claims made for UK aid to assess their credibility and their significance for the intended beneficiaries, learning reviews, which explore how knowledge is generated in novel areas and translated into credible programming, and rapid reviews, which are short reviews examining emerging issues or areas of UK aid spending.
2 Methodology

2.1 The main methodological elements to this review were as follows:

- A literature review on value for money in international aid.
- A review of how value for money is incorporated into DFID’s management processes, benchmarked against HM Treasury guidance.
- Interviews with a wide range of key stakeholders, including DFID staff, representatives of other government departments, DFID’s implementing partners and external experts and stakeholders, to collect feedback on DFID’s approach to and implementation of value for money issues.
- Desk reviews of a sample of 24 DFID programmes in our case study countries and centrally managed programmes to explore how value for money processes have been applied (see Annex 1 for details of our sample).
- Case studies of four countries (Malawi, Nigeria, Pakistan and Uganda), including country visits, to assess how value for money has been applied at the portfolio and programme level. We consulted with country teams about their experience with value for money processes and held numerous interviews with country counterparts, delivery partners, development partners and other stakeholders.

2.2 The methodology provided a good level of triangulated data to explore the relevance and effectiveness of DFID’s approach to value for money. Both the methodology and this report were independently peer reviewed.

Figure 1: Map of country case study locations

Box 3: Limitations of our methodology

This review explores whether DFID’s approach to value for money is succeeding in increasing the return on UK aid investment. It does not assess the underlying case for spending UK public funds on international development, which is a policy question and outside our remit. Nor does it assess DFID’s choices in allocating aid between countries, or how DFID compares in value for money terms with other UK departments or international donors.

DFID’s value for money practices are continually developing. As far as possible, we have acknowledged recent or forthcoming developments, but these may not yet be reflected in the programmes in our sample.
3 Background

A commitment to value for money is a key feature of the UK aid programme

3.1 All UK government departments have a long-standing obligation to achieve value for money in their use of public funds.\(^8\) The term has its origins in the use of economic appraisal – that is, assessing whether the benefits of publicly funded programmes outweigh the costs – to assess the merits of proposed public spending programmes. ‘Value for money audit’ is also the term used in the UK public sector for performance audits, which have been carried out by the National Audit Office since 1984. There are around 60 such reviews each year, including several of DFID.

3.2 For DFID, while the term has been in use for longer, value for money has taken on greater prominence since the government’s commitment to spending 0.7% of gross national income on international aid.\(^9\) It occupies a central place in the 2015 aid strategy (see Box 4 for DFID’s commitments). At its core, the value for money pledge is to ensure that every pound of development assistance maximises its contribution to improving the lives of poor people around the world.

3.3 Value for money considerations have been progressively written into DFID’s management processes. The Smart Rules for better programme delivery,\(^10\) adopted in 2014 following a comprehensive end-to-end review of the department’s programme management, marked a shift from a rules-based to a principles-based approach to programme management. Programme managers were given greater discretion to make decisions within an overarching set of principles, performance standards and accountability relationships. The obligation to ensure value for money is reinforced at multiple points through the Smart Rules. In a December 2014 rapid review, ICAI welcomed the shift to a principles-based approach, but called for more attention to the link between value for money in the short term and sustainability over the longer term, and more emphasis on learning and adaptation to drive improvement in impact and value for money.\(^11\)

3.4 DFID has also become a strong advocate for the value for money agenda internationally. It encourages its programme partners – whether commercial suppliers, multilateral agencies, non-governmental organisations or partner country governments – to adopt processes for maximising value for money. It has introduced greater consideration of value for money into its allocation of funding for multilateral agencies, and DFID has used its influence to encourage a greater focus by multilaterals on results and value for money.

Box 4: What do DFID’s policies and strategy documents say about value for money?

The 2015 UK aid strategy contains a chapter on value for money. It describes the methods for achieving value for money as cutting waste, introducing greater transparency and subjecting aid to robust independent scrutiny.\(^12\)

DFID’s single departmental plan notes that value for money is delivered at four operational levels:\(^13\)

- the strategic level, by collaborating with international partners to improve the effectiveness of all development finance
- the portfolio level, by allocating resources to maximise impact
- the programme level, through design, procurement, management and evaluation
- the administrative level, by maximising the effectiveness of people and resources.
Among international donors, value for money is an agenda strongly associated with DFID.\(^{16}\) There has been a long-standing movement across the development field to strengthen “managing for results”, written into a succession of international agreements.\(^{17}\) It was DFID that pioneered taking this a step further, to assess whether “the level of results achieved represent good value for money against the costs incurred: moving from ‘results to returns’”\(^{18}\). While other development agencies (such as Australia’s)\(^ {19}\) have adopted goals and principles around value for money, DFID has gone the furthest in building value for money considerations into its management processes and encouraging its implementing partners to do the same. This means that there is no established body of international practice against which to measure DFID’s performance.

**DFID’s value for money framework**

3.6 In 2011, DFID adopted a value for money framework that is commonly used across the UK government – including by the National Audit Office in its performance audits.\(^ {20}\) Often called the three Es (see Figure 2), it emphasises three dimensions of value for money:

- economy (minimising the cost of inputs)
- efficiency (achieving the best rate of conversion of inputs into outputs)
- effectiveness (achieving the best possible result for the level of investment).

3.7 In its most recent guidance,\(^ {21}\) DFID suggests adding a fourth E – equity, or the extent to which aid programmes reach the poorest and most marginalised, in keeping with DFID’s commitment to ‘leaving no one behind’.\(^ {22}\) The guidance notes:

> High impact does not mean a programme that reaches the largest number of people at the lowest cost. What is important is whether we reach those most in need of support and whether the support is provided in the most economical, efficient and effective way.

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19. Value for Money principles, Australian Government Department of Foreign Affairs and Trade, [link](#).
20. See NAO website: “Assessing value for money”, [link](#).
22. *Leaving no one behind: Our promise*, DFID policy paper, updated 10 January 2017, [link](#).
The four Es and cost effectiveness

<table>
<thead>
<tr>
<th>Framework components</th>
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<tbody>
<tr>
<td><strong>Input:</strong> Staff, raw materials, capital. (eg vaccine and vaccination consumables)</td>
</tr>
<tr>
<td><strong>Process:</strong> The methods by which inputs are used. (eg delivery logistics)</td>
</tr>
<tr>
<td><strong>Output:</strong> Results delivered directly by DFID or our agents. (eg children vaccinated)</td>
</tr>
<tr>
<td><strong>Outcome:</strong> We exercise less direct control over outcomes than outputs. (eg children less susceptible to major childhood diseases)</td>
</tr>
<tr>
<td><strong>Impact:</strong> Long-term transformative change. (eg poverty reduced)</td>
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The challenges of applying value for money to international development

3.8 The application of value for money analysis to development assistance is undoubtedly challenging. In the environments in which DFID usually works, official data can be scarce, results chains are complex and uncertain, and sustainable impacts can take a long time to emerge. Aid programmes need to be adapted to different national and local contexts, which makes them difficult to compare. The contexts are also dynamic, and the scope and activities of aid programmes often need to change in response to external developments or lessons learnt.

3.9 Given these challenges, the literature points to various risks that a narrow application of value for money analysis to limited data can generate a distorted picture. Commentators have suggested that it can lead programme managers to prioritise cost reduction over maximising impact, to maximise beneficiary numbers rather than reaching the poorest, or to focus on what is readily quantifiable rather than what might deliver the most important results. Others fear that, rather than achieving a tighter focus on results, measuring value for money actually adds to the administrative burden on...
development practitioners, diverting them from other actions to enhance the effectiveness of aid spending. A recent Overseas Development Institute study concludes that the results agenda (which is linked to value for money) “has oriented DFID’s vision to the short-term and narrow results of projects rather than wider processes of change” and has “shifted the balance towards prioritising accountability to UK taxpayers over poor people abroad”. These challenges call for careful consideration, but are by no means insurmountable.

3.10 There is a wide range of value for money tools and approaches in the literature. Some commentators emphasise the need for sophisticated economic analysis, requiring specialist expertise, while others approach value for money as a broad conceptual framework to guide programme design, implementation and evaluation. There is no single correct approach – the appropriate solution depends on the circumstances, including the nature of the intervention and the context in which it is being implemented.

26. “What are the results agenda?”, Barder, O., Blog Post on Owen Abroad, 10 February 2012, link.
4 Findings

Is DFID’s approach to value for money appropriate to the needs of the UK aid programme?

4.1 In this section, we explore DFID’s approach to value for money in light of the goals and principles of the UK aid programme and international commitments such as the Sustainable Development Goals. We assess whether the approach focuses on the right issues, avoiding the pitfalls described in the literature. By “approach”, we mean both the conceptual framework that DFID uses to analyse value for money and the steps taken to embed value for money thinking across DFID’s portfolio and programme management processes.

DFID’s value for money approach follows UK government guidelines

4.2 The broad principles for how UK government departments should ensure value for money are set out in HM Treasury publications, particularly the Green Book and Managing Public Money (see Box 5). The key requirements include ensuring that:

• There is a clear economic case for each spending programme.
• Interventions are evidence-based.
• Risks are managed effectively.
• There are clear lines of responsibility for managing the programme.
• Costs and results are regularly monitored.
• Results are evaluated on completion.

These requirements are stated at a general level, and only address the management of programmes, rather than portfolios (which may not be relevant to other government departments). The specific challenges of achieving value for money through development programming are not addressed in the Treasury guidance.

4.3 These principles are restated and elaborated in DFID’s Smart Rules and associated guidance. There are required steps for ensuring value for money through the programme management cycle, from design and procurement through delivery to closure. There are overarching principles about accountability and transparency and on learning and adaptation. Each programme begins with a business case that includes an appraisal of alternative options for achieving the intended objectives, with the costs and benefits clearly identified (in qualitative or narrative form, if they cannot be expressed in financial terms). The business case must set out a value for money case for the programme and how value for money will be monitored over its life. Each programme is subject to annual review, which assesses progress against targets and whether there have been changes to the cost drivers or value for money measures identified in the business case.

4.4 Overall, we find DFID’s approach to value for money consistent with UK government requirements.

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31 Managing Public Money, HM Treasury, 2013, link.
Box 5: Government guidance on value for money

The Green Book sets out guidance for how to determine whether programmes represent value for money:

1. Ensure that there is a clearly identified need and that a proposed intervention is likely to be worth the cost.
2. Identify the desired outcomes and objectives of an intervention in order to identify options to deliver them.
3. Carry out an options appraisal, reviewing different options including a ‘do minimum’ option to act as a check against more interventionist action.
4. Use decision criteria and judgment to select the best option(s). Cost-benefit analysis is recommended.
5. Provide an easy audit trail for the decision-maker to check calculations, supporting evidence and assumptions, with sufficient information to support later evaluation exercises. Include the results of sensitivity and scenario analyses, not just single point estimates of expected values.

Managing Public Money requires that all departments, including DFID, have robust and effective systems for internal management of their programming. These include:

1. When adopting new programmes:
   a. actively managing risks and opportunities
   b. appraising alternative courses of action (following The Green Book – see above)
   c. basing choices on evidence, models or pilot studies where appropriate
   d. including mechanisms for regular stock-take at critical points of projects.

2. During the lifespan of programmes:
   a. delegating to a senior responsible owner assigned to each significant initiative
   b. providing prompt, regular and meaningful management information on costs (including unit costs), efficiency, quality and performance against targets to track progress and value for money
   c. using proportionate (not too onerous or complex) administration and enforcement mechanisms
   d. using feedback from internal and external audit to improve performance
   e. monitoring risks regularly and adjusting programmes when necessary.

3. At the end of the programme:
   a. evaluating outputs and outcomes, and adjusting activities based on the evaluation
   b. identifying and disseminating lessons learnt.

DFID’s value for money approach is beginning to include a focus on quality, but is not yet capturing sustainability

4.5 DFID’s value for money approach has always emphasised the need to take account of all forms of value, whether or not they can be measured. However, in our 2015 review, DFID’s approach to delivering impact, we noted the risk that the value for money agenda was leading to a focus on results that could be counted, rather than on meaningful impact for beneficiaries. We were particularly concerned that global results were measured mainly by counting the numbers of people reached, which gave an idea of the scale of the investment but offered a limited and in some ways distorted picture of impact.

35. Managing Public Money, HM Treasury, July 2013, link.
36. DFID’s approach to delivering impact, ICAI, June 2015, pp. 9-12, link.
4.6 We find that this situation is improving, with more of a focus on the quality of results, as well as the quantity. DFID reduced the number of quantitative targets in its 2015-2020 single departmental plan, in order to reduce the reporting burden on country offices. The remaining examples included immunising 76 million children and providing 60 million people with access to clean water and sanitation.\(^{37}\) At the time of our review, country offices reported against their contribution to these global targets, using standardised methodologies. Those targets are not included in the revised single departmental plan issued in December 2017.\(^{38}\) At the programme level, DFID monitors unit costs (that is, cost per beneficiary) and tries to ensure that it provides as many immunisations or water systems as it can for the level of investment.

4.7 Moving from the quantity to the quality of results can be technically challenging, but DFID is making progress in this direction. For example, in education, DFID now tracks the number of children it supports to gain “a decent education”. This shifts the focus from school enrolment rates to ensuring that children receive an adequate education and achieve basic literacy and numeracy. This is harder to measure in a reliable way. DFID country offices therefore report both on the number of children they fund through school and on measures taken to improve learning outcomes.\(^{39}\) For example, in one component of its education programme in Pakistan, DFID is working to raise the quality of low-cost private schools. Participating schools are visited regularly by monitors and rated once a year for the quality of their teaching and facilities. We have seen examples in other reviews of programmes measuring the quality of outputs, including in humanitarian aid. Looking beyond quantity to quality is fundamental to achieving value for money, and we welcome DFID’s efforts to take on the associated measurement challenges.

4.8 Measuring the sustainability of results remains a challenge. DFID’s Smart Rules state that sustainability must be addressed in the design of every programme. However, DFID’s approach to assessing value for money is constrained by the length of its programme cycle. Within three- to five-year programmes, it is usually impossible to measure whether the benefits of UK investments endure over time. In our review of DFID’s water and sanitation programming, we found that, unlike some other donors, DFID did not monitor whether results were sustained beyond the end of the programme.\(^{40}\) DFID has since encouraged its implementers to increase their focus on sustainability, but did not take up our recommendation of extending monitoring beyond the programme cycle.\(^{41}\) In our review of DFID’s use of cash transfers, we also encouraged a stronger focus on the financial sustainability of national cash transfer systems.\(^{42}\)

**Equity is becoming more prominent in DFID’s value for money approach**

4.9 DFID has made a strong commitment to ‘leaving no one behind’ in its programming, in keeping with a core principle of the Sustainable Development Goals. Its programmes should “prioritise the interests of the world’s most vulnerable and disadvantaged people; the poorest of the poor and those people who are most excluded and at risk of violence and discrimination”.\(^{43}\) This involves challenging social barriers and overcoming discrimination and exclusion based on gender, age, location, caste, religion, disability or sexual identity. The renewed focus on marginalisation and ‘last mile’ delivery has been an important change in the orientation of UK aid in response to the Sustainable Development Goals. ICAI is currently conducting a review of DFID’s support for people with disabilities.\(^{44}\)

4.10 The ‘leaving no one behind’ commitment has important implications for the way DFID assesses value for money. Reaching remote areas, hard-to-reach groups (such as semi-nomadic herders in Uganda) or the marginalised within society (such as people with disabilities) often involves higher costs (see Box 6). For a given budget, there are trade-offs between reaching such groups and maximising the overall number of beneficiaries.
4.11 Equity was mentioned in DFID’s original value for money framework in 2011 as a factor to consider, and is now formally incorporated into its value for money framework as the fourth E. Across our sample, we found that a substantial number of programmes now contain objectives around reaching marginalised groups. The additional costs of doing so are discussed in their value for money assessments and justified, based on need. However, DFID has yet to develop methods for comparing value for money across different target groups. New guidance on equity in value for money suggests one potentially useful approach to doing this, based on weighting different classes of beneficiary.

One way to account for the differing value that people gain from an intervention involves carrying out analysis using distributional weights to adjust explicitly for distributional impacts in the cost-benefit analysis. Benefits accruing to households in a lower quintile [i.e. income bracket] would be weighted more heavily than those that accrue to households in higher quintiles.

4.12 We did not come across any examples of this kind of scoring system being used, but it has the potential to support more rigorous assessment of the equity dimension of value for money. As discussed below, the importance given to targeting different groups should be decided at the country portfolio level, based on evidence and analysis. This is not currently being done.

Box 6: Bringing equity into value for money assessment

A DFID family planning programme in Uganda (Accelerating the Rise in Contraceptive Prevalence in Uganda; £30.8 million, 2011-2017) has a focus on hard-to-reach groups. The design notes that providing family planning services in remote areas of Uganda, with small and dispersed populations, costs £11 per woman reached, as compared to £7 in urban areas. These additional costs were judged acceptable because the poorest women in remote areas are likely to give birth to more children than wealthier women, and because reaching the poorest was considered a “critical success factor” for the programme. While this demonstrates a commitment to equity, more could be done to integrate value for money considerations into the design. For example, drawing on the idea in DFID’s latest guidance, different groups of women could be assigned a score (based on fertility data or other social factors), giving a basis for comparing the results of different programming options.

The value for money approach is better suited to simpler interventions

4.13 For DFID, monitoring programme results and value for money is done for two purposes: ensuring that DFID and its implementers are accountable for their use of public money, and building evidence and experience on what works. Both are equally important in ensuring value for money, but in practical terms we find that the main emphasis in DFID is on the former. This makes it better suited to interventions where the evidence on what works is clear, than to more complex interventions that require an element of trial and error.

4.14 The literature notes that different approaches to value for money may be required for simple and complex interventions. For example, the impact of vaccines on child health is clearly evidenced. A tight focus on procuring vaccines at a good price and distributing them efficiently may provide sufficient assurance that a vaccination programme is achieving value for money. In this case, ensuring that the implementers deliver the outputs efficiently is key to achieving value for money. On the other hand, a programme that seeks to help communities adapt to climate change is more complex. For such a programme, a level of experimentation may be required to determine what combination of inputs and outputs produces the best results for the investment. Monitoring the efficiency of delivering outputs, while still important, tells us little about the potential effectiveness of the programme and therefore its overall value for money.

DFID’s guidance on value for money does not distinguish between the value for money approaches and techniques needed for simple and complex programmes (or elements of them), even though the latter constitute a large proportion of DFID’s work. In practice, we find that the balance of effort is on controlling costs and ensuring efficient delivery, rather than learning what works. This perception is shared by a wide range of internal and external stakeholders.

There may be several reasons for this. Economy and efficiency are relatively easy to measure, and the data becomes available at an earlier point in the programme cycle. They are also within the direct control of the implementer, enabling DFID to hold its implementing partners to account for their performance. For complex programmes, however, there is a risk that it incentivises a focus on the successful delivery of outputs, rather than on experimentation and adaptation.

In recent years, DFID has taken steps to introduce adaptive management into its programming – namely in-programme experimentation with different approaches to see which are more effective. We have seen some good examples of adaptive programmes across our reviews, although they remain a minority. There is still a way to go, however, in incorporating adaptive principles into DFID’s value for money approach. We have seen few examples, for instance, of programmes that experiment with different combinations of activities and outputs in order to assess which are more cost-effective.

The approach gives limited emphasis to transformative results

As things currently stand, the results system is not oriented towards measuring or reporting on transformative impact – that is, the contribution of UK aid to catalysing wider development processes, including the ability of country partners to finance and deliver development interventions themselves. Transformative impacts are rarely the product of a single aid programme. They involve working with others, building capacity in partner countries and influencing other sources of development finance. DFID has set itself the ambition of achieving transformative impact in various areas, for example:

- Its Economic Development Strategy sets out the objective of mass employment creation through structural economic change. In this area, the results that matter for value for money assessment are not just the jobs created directly by DFID programmes, but whether DFID has helped bring about the conditions for economic transformation and job creation to occur.
- DFID is also committed to building resilience in its partner countries to natural disasters and the impacts of climate change. Resilience is a complex outcome of changes in many areas, such as how communities are organised, their agricultural practices and the diversity of their economies.

These types of results are hard to measure and to link robustly to DFID’s work. They are, however, fundamental to the achievement of the Sustainable Development Goals. At present, there is limited reporting of results at the level of country portfolios, which is where we would expect transformative impacts to arise. In practice, therefore, DFID’s value for money approach emphasises the direct and immediate results of individual programmes, rather than results achieved by influencing partner countries or through the cumulative or complementary effect of several interventions.

DFID’s value for money approach does not properly reflect its commitments on development effectiveness

DFID has in recent years phased out budget support and scaled back direct financial aid to partner governments. This has been driven in part by concerns about fraud and corruption. This creates a tension between two different drivers of value: the desire to control UK aid funds and prevent leakage, and the importance of aligning with national priorities and building national capacities.

In the past, these objectives were well integrated into DFID’s programming through its strong commitment to aid effectiveness principles. Though not expressed in value for money terms, the 2005 Paris Declaration on Aid Effectiveness – of which the UK was a sponsor and signatory –
recognised that the practice of delivering aid through projects that bypassed national governments, while perhaps maximising the immediate return on the investment, did not help to build capacity or national leadership of the development process. Indeed, it recognised that too many free-standing donor projects could fragment and erode national capacity. The Paris Declaration included a commitment to greater use of “programme-based approaches”, where groups of donors pool their funding in support of a single, government-led and managed programme.

4.22 While DFID’s funding modalities have changed, principles of “development effectiveness” are still written into the Smart Rules. They include promoting country ownership of development processes, aligning with national development strategies, harmonising with the activities of other donors and providing aid in such a way that it supports and strengthens local responsibility, capacity, accountability and leadership.

4.23 We would expect to see these principles reflected more strongly in DFID’s programme designs and its value for money approach. While a few of the business cases we reviewed discussed the merits of working through country systems in their options appraisal, contributions to building sustainable national capacity – and therefore working towards eventual graduation from aid – are not usually factored into value for money assessments. We heard concerns from partner country officials and other external stakeholders that DFID’s understanding of value for money can result in prioritising short-term development results over working through country systems and building national capacities for the longer term. To balance this risk, its value for money approach should reflect more clearly and specifically its commitment to development effectiveness.

DFID has been a strong advocate of value for money among its multilateral partners

4.24 Aid through multilateral agencies represents around 60% of DFID’s budget (40% as core funding for multilateral agencies and 20% as bilateral projects implemented by multilateral partners). It is therefore a major determinant of overall value for money. Unlike for bilateral aid, DFID has only indirect influence over how it is spent, calling for a different approach to achieving value for money than for most of its bilateral spending. Its main entry point for influence is through periodic funding cycles, when decisions on DFID’s level of funding can take account of past performance and future plans on financial management and reporting. In recent years, it has used that influence to encourage its multilateral partners to adopt a tighter results focus and build value for money into their management processes.

4.25 Its assessments of multilateral capacity are set out in the 2011 Multilateral Aid Review and the 2016 Multilateral Development Review. Funding is assigned to individual agencies based on their strategic fit with the objectives of the UK aid programme and their organisational effectiveness. Each partner was assessed against value for money criteria, using a ‘balanced scorecard’ approach. The assessment process and the publication of the results create substantial pressure on the agencies to lift their performance in a range of management domains.

4.26 In our 2015 report How DFID works with multilateral agencies, we expressed concern that this tight focus on internal management, while addressing one important dimension of value for money, was displacing dialogue on wider strategic issues around the performance of multilateral agencies and the multilateral system as a whole. We found that, at that time, DFID had no overall strategy for engaging with the multilateral system and lacked clarity about what it expected from multilateral agencies in particular countries. Furthermore, we found that DFID’s assessments of multilateral capacity at the organisational level did not provide sufficient assurance about their performance in particular countries, and that its influencing efforts at the global level were not joined up with its engagements in-country.

49 The Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008), link.

50 Smart Rules: Better Programme Delivery, DFID, October 2017 version, p. 21, link.

51 For details on the types of funding DFID provides to multilaterals, see How DFID works with multilateral agencies to achieve impact, ICAI, June 2015, paras 1.24-31, link.

52 Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisations, DFID, March 2011, link.


54 How DFID works with multilateral agencies to achieve impact, ICAI, June 2015, paras 1.24-31, link.
4.27 DFID has made some progress on addressing these issues since then, although it remains a work in progress. It has undertaken reviews of how the multilateral system performs in two sectors (health and humanitarian aid), and is moving towards joint funding arrangements for groups of related agencies. Given that attempts to rationalise the complex multilateral system have made little headway, this is a pragmatic approach to improving value for money. We also welcome DFID’s efforts to encourage multilateral agencies to be more transparent about their expenditure (such as on travel), and to link its influencing work at the global level to its work with multilateral agencies in particular countries.

4.28 DFID has concluded performance agreements with most of the 36 multilateral agencies that receive over £1 million in core funding. In our review of the UK aid response to global health threats, we noted that such an agreement with the World Health Organization was helping to drive reforms to address deficiencies revealed during the response to the West Africa Ebola epidemic. However, not all of DFID’s multilateral partners have agreed with the approach and nor is the UK at this stage supported by other funders. DFID points out its performance-based funding is linked to results data that is already reported by its multilateral partners, so does not involve an additional burden. However, we note that there may be additional costs involved (such as independent verification of results) and risks of unintended consequences (such as encouraging multilateral partners to prioritise key performance indicators over other results areas – a risk inherent in any key performance indicator). DFID will therefore need to review in due course whether performance-based funding for multilaterals does on balance improve value for money.

Conclusions on DFID’s value for money approach

4.29 DFID’s approach to value for money is consistent with UK government guidance. The 3E or 4E framework provides a useful set of principles and parameters for thinking through value for money issues in a way that is, at least on paper, flexible and capable of incorporating different aspects of value. We found positive signs of an increased focus on the quality of outputs, as well as the quantity. We also saw substantial progress in incorporating equity and the ‘leave no one behind’ commitment into programme design and delivery.

4.30 DFID’s approach is better suited to interventions where the evidence on what works is clear and the delivery options well known. It is less suited to complex interventions where a level of experimentation is required. While DFID has taken steps in recent years to introduce adaptive management into its programming, this is not yet part of its value for money approach. DFID’s approach is not well suited to capturing transformative impacts that arise from the interaction of several programmes or by working with others. Nor does DFID’s approach reflect its commitments to development effectiveness principles.

4.31 DFID has been a strong advocate for value for money among its multilateral partners, and we welcome recent efforts to develop a more holistic approach to improving value for money across the multilateral system.

How well are value for money considerations embedded into DFID’s management processes?

4.32 In this section, we assess to what extent value for money considerations are built into the department’s management processes at portfolio and programme levels, and whether they in fact guide management decisions.

DFID has made a sustained effort to integrate value for money into its management processes

4.33 Value for money plays a prominent role in DFID’s processes. It features in the processes for allocating aid between countries, in DFID’s work with multilateral partners, and at key points through the programme management cycle for bilateral programmes (see Figure 3).

Box 7: Value for money in DFID’s management processes

DFID’s *Smart Rules* on programme management, its *Smart Guide* on value for money and its guidelines on business cases and annual reviews set out a series of guiding principles, mandatory requirements and recommendations for how to address value for money through the programme management cycle. The key requirements are as follows:

- **Business cases must:**
  - Show that the expected benefits (in monetary terms if possible, otherwise in narrative form) are greater than the costs, and better than doing nothing at all.
  - Include a theory of change describing how the programme will deliver its expected results and what assumptions have been made. These assumptions may help to identify risks to be managed over the life of the programme.
  - Specify how value for money will be monitored over the life of the programme and identify value for money indicators.

- **Each programme must have a delivery plan, which describes how risks and value for money will be monitored.**

- **Annual reviews must include a section on value for money. They should:**
  - Consider whether there have been any significant changes that would affect the value for money assumptions set out in the business case.
  - Assess whether there have been changes in costs or cost drivers, and why.
  - Assess value for money performance by reference to the original value for money proposition set out in the business case.
  - Reach an overall judgment as to whether the programme continues to represent value for money, and if not, identify remedial actions.

- **Where a programme significantly underperforms in the annual reviews, remedial measures must be included in the delivery plan.**

- **There is an overarching obligation on programme managers to assess and record how their programming choices maximise impact per pound of expenditure for DFID.**

- **Measures to ensure sustainability of outcomes beyond the life of the programme must be considered in the business case and built into the design and delivery of the programme.**

4.34 Box 7 summarises how value for money is addressed in DFID’s *Smart Rules* and associated guidance. The latest iteration of the *Smart Rules* added an overarching requirement that programme managers must document their efforts to improve value for money, to strengthen accountability.
Box 8: Options appraisals in DFID business cases

All DFID business cases must include a comparison of different options for achieving the intended results. Some programmes lend themselves to formal cost-benefit assessments; others can only be assessed in qualitative terms. Here is an example of each.

The Pakistan Skills Development Programme (£6.7 million, 2015-2021) aims to increase access to jobs and income-earning opportunities for poor and vulnerable people. DFID conducted a cost-benefit analysis for three options at the business case stage. The quantifiable benefits were the number of additional people trained, and increases in their employment prospects and earnings as a result of the training. The option that DFID chose had a ratio of quantifiable benefits to costs of 1.57, which was lower than one of the other options, but DFID judged that it offered other, non-quantifiable benefits that made it better value for money, including the opportunity for DFID to contribute to improvements in skills training at a national level. This sort of economic analysis is based on various assumptions. In this
Monitoring of value for money through programme delivery is of mixed quality

4.40 Most DFID programmes (18 of the 24 in our sample, including all the more recent ones) now have a value for money framework or strategy, or are in the process of developing one. These identify key costs and value for money measures to be monitored during implementation. For example, in education programmes, the key costs may include teacher salaries, teacher training costs, the costs of textbooks and the costs of constructing a classroom, while value for money measures include the average costs of supporting a child in school for a year. These are monitored so that unexpected variations (over time or between locations) can be identified and investigated. Sometimes trigger points are specified in the value for money strategy – that is, action must be taken if a particular cost exceeds a certain level.

4.41 Encouragingly, in most of the programmes in our sample (15 of 24), we found that the approach to monitoring value for money had become more specific and detailed over the life of the programme, either by identifying additional indicators or by tracking existing indicators more systematically. We also noted a range of qualitative assessments and practical examples in annual reviews, to complement the data.

4.42 Value for money is assessed as a component of DFID annual reviews, which are mandatory for every programme. The reviewers review the data on cost drivers, whether costs are being adequately managed by programme partners and the quality of financial management. They assess progress towards both output and outcome targets. They compare value for money performance to the original value for money proposition set out in the business case.

4.43 We found the quality of these assessments to be variable. Box 9 gives an example of a good quality assessment. However, in eight of our 24 programmes, we found that value for money indicators identified in business cases were not being monitored as planned. Lack of data can result in superficial analyses, and at times assessments appear to have been written in order to make a case for proceeding, rather than to test whether value for money is really being achieved. A recent internal assessment by DFID suggested that annual review assessments are more focused on outputs than outcomes and do not pay sufficient attention to assessing the theory of change in light of experience with implementation – partly because the outputs are linked to programme scores (see the next section). It recommended changing the guidance to encourage reviewers to produce stronger data and better narratives in support of their assessments of value for money, theories of change, progress towards outcomes and equity issues.
Annual review scores show achievement of output targets, rather than value for money

4.44 All DFID programmes must undergo an annual review. In each annual review, programmes are scored based on progress towards their targets. Scores range from C (“outputs substantially did not meet expectation”) to A++ (“outputs substantially exceeded expectation”). The annual review score is a key control point in DFID’s programme management. Programmes that score poorly are subject to mandatory remedial measures and may be terminated.

4.45 Annual review scores are based on outputs (what was done), rather than emerging evidence of outcomes (what was achieved as a result) or value for money (results relative to expenditure), although there is narrative analysis of all three areas. By focusing on outputs, the score provides an indication of whether implementation is proceeding as planned. However, a scoring system based on outputs can give an incomplete or even misleading picture of programme performance for more complex or less well tested programmes, or those in changeable environments. It risks focusing attention on the efficiency of delivery, rather than on whether the programme is likely to achieve the intended results.

4.46 We are also concerned that pressures on staff to proceed with implementation may work against a frank review of programme performance during annual reviews. This tension was recognised in a recent internal review of DFID’s annual review process.

4.47 Logframe targets are frequently revised, sometimes as a result of recommendations from annual reviews. Of the 24 programmes in our sample, 23 of the logframes had been revised over the previous year, and ten of the most recent annual reviews recommended further revisions. Programme teams suggested that this reflects DFID’s commitment to adaptive programming and the need to update logframes as programmes evolve. While there may be good reasons to change targets, the reasons for changes are not always well documented or explained. This raises the possibility that targets are sometimes revised downwards in order to improve the next year’s annual review score and avoid remedial measures. The Cabinet Office shared with us their concerns about the robustness of DFID’s annual review scores for underperforming programmes, based on a statistical analysis.

Box 9: Good practice in value for money assessment

A good example of value for money assessment is provided by the AAWAZ Voice and Accountability Programme in Pakistan (£35.4 million, 2012-2017). The programme supports local communities and their representatives to promote more responsive local governance, with a focus on women and minority rights. The value for money section of the 2016 annual review provided a detailed analysis of programme expenditure and cost drivers (particularly salaries). It verified the existence of robust processes for procurement and operational and financial management. It described the work of the programme team to develop indicators to show the return on investment, going beyond what had been proposed in the business case. It presents the findings of a unit cost analysis, suggesting that, for every £10 spent by the project, six citizens were safer, seven had better access to public services, five expressed increased satisfaction with public services and at least one had been given an opportunity to hold decision-makers to account. A sensitivity analysis suggests that delayed implementation is likely to be the biggest risk to achieving value for money. The programme was judged to be continuing to deliver significant value for money by reference to a range of evidence, including its direct engagement with 176,955 citizens (of which half were women) across 45 districts through its community forums at a cost of £15 per citizen per year. However, the analysis notes that it would be helpful to identify similar programmes to use as comparators.


58 Communication from the Cabinet Office. The analysis found anomalies in the distribution of annual review scores for programmes that scored a B in the previous year. We have not verified the analysis, and we note that there may be other explanations for these anomalies other than inaccuracies in scoring.
There is also evidence that logframe revisions are used to correct for optimism bias in target setting at the design stage – as to both the scale of results that can be achieved and the time it takes to achieve them. A fairly consistent view among programme-level staff was that, to get programmes signed off, targets needed to be ambitious. In our sample, the targets were almost always revised downwards after the first year. We saw only a single instance of targets being made more ambitious – in a financial sector programme in Nigeria (£22.9 million, 2006-2018), where the target for bringing more people into the banking system was found to be insufficiently stretching. When targets were reduced, we found no requirement to verify that the original economic case for the programme continued to hold.

Quality assurance over target setting is an area of concern in DFID’s programme management that has potential implications for the focus on value for money. The problem was acknowledged in a November 2017 internal review of DFID’s annual reviews.

DFID has begun to address value for money challenges associated with centrally managed programmes

DFID has a large number of programmes that are managed by central spending departments and that operate across two or more countries. They are extremely diverse, with budgets ranging from under £100,000 to hundreds of millions of pounds. They include research grants, partnerships with international organisations and non-governmental organisations, challenge funds designed to promote innovation and, increasingly, large-scale programmes designed to boost results in priority areas, such as health, education and economic development.

As we have pointed out in other reviews, DFID faces significant problems coordinating between centrally managed and in-country programming. Country offices are unable to keep up with all the centrally managed programmes. (We were informed that there were 135 to 140 operating in Uganda, mostly spending only small amounts of money.) Indeed, it is only recently that they have had access to information on amounts spent in their country by centrally managed programmes. Country offices therefore only engage with those that align most closely with their objectives.

In our case study countries, DFID staff expressed concern that centrally managed programmes may be duplicating in-country programmes or failing to coordinate with them. In Uganda, we heard of one instance where a centrally managed programme was giving away agricultural inputs such as fertiliser, potentially undermining efforts by an in-country programme to build a functioning local market in agricultural inputs. While this may be an isolated case, questions about the coherence of centrally managed and in-country programmes have been raised by country office staff across many of our reviews.

Without country office support, many centrally managed programmes find it difficult to engage meaningfully with partner governments. For example, in our 2016 review of DFID’s support for marginalised girls’ basic education, we reviewed the Girls’ Education Challenge (2012-17), a £355 million investment designed to reach up to a million marginalised girls across 18 countries. The programme was designed in part to promote innovation solutions. However, unless it worked closely with country offices, it had little prospect of persuading national education authorities to take forward successful pilots.

In 2016, DFID issued a Smart Guide setting out steps that the managers of centrally managed programmes should take to ensure they are coherent with in-country programming, such as agreeing rules of engagement and joint governance arrangements. This is a welcome step towards improving coherence, although it is not being applied retrospectively to existing centrally managed programmes.

In some areas, DFID is beginning to use centrally managed programmes to boost the capacity of country offices. In our review of DFID’s approach to inclusive growth, we noted that a new generation of centrally managed programmes was being developed to boost DFID’s capacity and scale up programming in new or technically demanding areas, such as urban development and energy.

Accessing, staying and succeeding in basic education – UK aid’s support to marginalised girls: A performance review, ICAI, December 2016.
Decisions as to where these programmes should operate had been made in consultation with country offices, and some of the programmes came with additional advisory support, which helped to address the coordination issues.\(^{60}\) The use of centrally managed programmes to supplement country portfolios and capacities is a promising new frontier for improving value for money.

**Country offices are looking for opportunities to secure better value for money from multi-bi programmes**

4.56 In various reviews, ICAI has pointed to value for money risks around bilateral aid projects implemented by multilateral partners (multi-bi aid), which represent around 20\% of DFID’s budget.\(^{61}\) DFID often chooses to deliver through multilateral partners because of mandate issues (such as the UN’s neutrality in conflict contexts), their specialist knowledge or because of a lack of alternatives. However, it does not have the same level of influence over their work as it does for a commercial supplier. Their financial reporting sometimes lacks the detail required to enable DFID to monitor value for money.

4.57 In our review of DFID’s approach to fiduciary risk in conflict-affected states, we recommended that DFID explore ways to improve its ability to monitor fiduciary risk management by multilateral partners.\(^{62}\) Similarly concerns arise in respect of how multilateral partners ensure value for money.

4.58 In this review, we encountered a range of instances where DFID was working to drive up value for money when delivering bilateral programmes through multilateral partners. For example, in Malawi, the shift away from providing financial aid directly to government has led to DFID becoming more dependent on multilateral partners, given a limited choice of alternatives. This has lent urgency to its efforts to build up its supplier market.\(^{63}\) DFID Malawi has begun to invite multilateral partners to participate in early market engagement events for forthcoming programmes, alongside commercial suppliers, to develop a sense of competitive pressure. It has also begun to apply a ‘strategic relationship management’ approach to its most important multilateral partners,\(^{64}\) such as UNICEF, whereby a senior DFID official is given responsibility for managing the partnership across multiple programmes.

4.59 Other examples of positive measures included:

- Making more use of organisational effectiveness ratings from the *Multilateral Development Review*. In one humanitarian programme for refugees in Uganda, DFID informed us that the ratings had guided them on which issues to prioritise in their due diligence of multilateral partners.

- Consideration of multilateral purchasing power in options appraisal. For example, in a family planning programme in Malawi, the choice of delivery channels was influenced by the fact that the United Nations Population Fund (UNFPA) was able to purchase commodities at low prices through its global framework agreement with suppliers. This saved £900,000 on purchases.

- Efforts to negotiate down programme management fees (see Box 10).

- Working with multilateral partners to build their capacity on value for money assessments. For example, in Pakistan, DFID was working with UN agencies to support the development of value for money indicators.

4.60 However, these improvements are still negotiated on a case-by-case basis. The recommendation from our review of DFID’s fiduciary risk management that DFID explore opportunities to reach agreements with multilateral partners at the central level around greater transparency for multi-bi programmes remains pertinent.\(^{65}\)

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\(^{60}\) *DFID’s approach to supporting inclusive growth in Africa: A learning review*, ICAI, June 2017, pp. 16-17, [link](#).

\(^{61}\) *DFID’s approach to managing fiduciary risk in conflict-affected environments*, ICAI, August 2016, p. 33, [link](#); DFID’s work through UNICEF, ICAI, March 2013, [link](#).

\(^{62}\) *DFID’s approach to managing fiduciary risk in conflict-affected environments*, ICAI, August 2016, [link](#).

\(^{63}\) *Achieving value for money through procurement – Part 1: DFID’s approach to its supplier market*, ICAI, November 2017, [link](#).

\(^{64}\) Formerly known as ‘key supplier management’. For more detail, see: *Achieving value for money through procurement – Part 1: DFID’s approach to its supplier market*, ICAI, November 2017, pp. 29-32, [link](#).

\(^{65}\) *DFID’s approach to managing fiduciary risk in conflict-affected environments*, ICAI, August 2016, [link](#).
Turning to how value for money is managed for country portfolios, we find significant gaps in DFID’s management processes. DFID has made efforts to strengthen its diagnostic work in recent years through the Country Poverty Reduction Diagnostic and the Inclusive Growth Diagnostic. We have found in other reviews that both processes provided useful inputs into country business plans.66 We have also noted some steps towards improving risk management at the country portfolio level.67

However, reporting of DFID’s overall results in particular countries is limited. At the time of our review, country offices reported on their contributions to single departmental plan targets. This provides a sense of the scale of the programming, but no picture of how the results fit into each country’s wider development, such as its efforts to achieve the Sustainable Development Goals.

There are no other mandatory processes for reporting results or value for money at the country level. Through the Bilateral Development Review process, country offices bid for their budget allocations by making ‘results offers’. We would therefore have expected to see a process whereby they report periodically on whether they are delivering on those undertakings at the country portfolio level. We note that DFID has not carried out any country programme evaluations in recent years.68

One of DFID’s tools for assessing portfolio performance is the Portfolio Quality Index, which is an average of the annual review scores of individual programmes, weighted by budget. These can be calculated for country programmes or other spending departments, or aggregated across DFID. The score is expressed as a percentage between 50% and 150%, so that a portfolio scores 100% if all its projects delivered exactly their intended outputs.69 Figures reported to DFID’s Investment Committee in August 2017 show that at the global level there has been a slight increase across the last four quarters, from 102.9 to 104.3 (12 months to June 2017).

Being derived from annual review scores, the Portfolio Quality Index is subject to the same limitations discussed above: it measures delivery of outputs, rather than progress towards intended outcomes or value for money, and it is strongly influenced by the level of ambition in logframe targets. DFID Uganda told us that its Portfolio Quality Index score had fallen below the average, and that it was taking measures to improve it. This included ensuring that logframe targets were realistic. Conversely, in Nigeria, we heard that there had been concern from headquarters that its high Portfolio Quality Index might indicate that its targets were not sufficiently stretching (the country team responded

68. See the list on DFID’s website, accessed February 2018: link.
69. Single departmental plan indicator methodology – Portfolio Quality Index (PQI), DFID, July 2016, link.

Box 10: Negotiating better deals with multilateral implementers

In 2015, DFID Pakistan negotiated a memorandum of understanding with the Asian Development Bank for its Pakistan Economic Corridors Programme. The agreement set out additional project management and governance arrangements to meet DFID’s expectations in relation to finances, reporting, due diligence and control of fraud and corruption. DFID also negotiated a reduced management overhead of 1.91%, compared to the usual 2% levied by the Asian Development Bank. From this overhead, it secured the establishment of a delivery unit in the bank’s Pakistan office to coordinate several projects.

DFID also encouraged innovations in the programme through the introduction of social projects with direct benefits for vulnerable groups, in keeping with its ‘leaving no one behind’ commitment. In interviews with us, the bank acknowledged that DFID’s insistence on bringing equity into the programme design had led it to adapt its own approach to assessing value for money from a narrow approach to economy (procurement costs) and efficiency (minimising delays in implementation) to include job creation and inclusive growth.
by requiring high annual review scores to be supported by additional evidence of achievement at outcome level. This suggests that the Portfolio Quality Index reflects country offices’ level of ambition in target setting as much as the performance of their programmes or portfolios.

**DFID could do more to develop its value for money processes at country portfolio level**

4.66 All four of the country offices we visited had developed short value for money strategies. They consisted mainly of measures to embed value for money at the programme management level, such as additional staff training and quality assurance processes. For example, in Pakistan, each programme is required to develop a value for money framework with indicators covering all four Es, accompanied by an explanatory note on how value for money is incorporated into programme design and implementation. DFID Malawi has developed a value for money ‘top note’ setting out the value for money case, while a delivery plan template developed in DFID Nigeria contains a section on value for money indicators.

4.67 The value for money strategies did not, however, consider what makes for good value for money at the country portfolio level. All DFID country offices have objectives that they are pursuing across their portfolios: for example, promoting structural economic change, building resilience to climate change or natural disasters, reducing conflict, tackling corruption, helping marginalised groups or building national capacity to lead the development process. They are not necessarily expressed in the objectives and targets of each individual programme, but progress at this level is key to achieving long-term value for money from the country portfolio as a whole.

4.68 We would expect DFID to be more explicit about these cross-cutting objectives in its country business plans, so that they can be reflected in value for money assessments for each programme. This could be done at least in narrative form, so that programmes are given proper credit for contributing to cross-cutting goals or reinforcing the work of other programmes. In appropriate cases, this might involve monitoring indicators that demonstrate compliance with cross-cutting commitments, such as the number of people with disabilities included in the programme, or the extent to which national authorities or local communities are involved in implementation. This would support reporting at country portfolio level of how well the portfolio is delivering against cross-cutting or shared objectives.

4.69 Box 11 summarises what the senior management teams in our case study countries told us about their value for money narrative for their portfolios. It shows that country offices are already giving thought to these issues. However, we do not see achievements at this level reflected in results reporting or in DFID’s value for money assessments.

4.70 Without such a system, DFID is not well placed to maximise value for money across groups of interrelated programmes, including reaping synergies and complementarities where feasible – a gap pointed out in our 2015 impact review.\(^70\) One positive exception was in Uganda, where the country team was working towards a concentration of interventions in conflict-prone areas, to help manage the instability brought on by conflict in South Sudan. This approach followed a structured risk-return analysis that had been undertaken at the country level.

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\(^70\) [DFID’s approach to delivering impact, ICAI, June 2015, paras. 3.28-34, link](#).
Box 11: The strategic value for money case for DFID’s country portfolios

DFID Pakistan engaged early with the value for money agenda and has a clear strategic approach to its portfolio. Pakistan is DFID’s largest country programme, with a mature portfolio of large, complex and well-established programmes. The country faces a combination of high levels of development need and regular humanitarian crises. DFID Pakistan’s strategy is to combine large investments in long-term transformational change with the flexibility to address emergency needs and to build towards a sustainable, self-financed exit from aid. It has chosen to focus on two provinces, Punjab and Khyber Pakhtunkhwa, which between them account for 75% of the population and which offer the best opportunities for constructive engagement. There is a strong portfolio plan, with timelines for exiting particular sectors and a good focus on sustainability beyond those exit points. Regular ministerial visits provide an opportunity to review the direction of the portfolio. In a recent review of its portfolio, DFID Pakistan decided to move away from financial support to the government, micro-finance, skills, infrastructure and social protection, in favour of a stronger focus on economic growth and inclusion.

Nigeria is another large federal state. It is an oil-rich country with significant resources, where development is held back by poor governance and corruption, as well as persistent conflict and humanitarian crises. DFID Nigeria’s main objective is to help Nigeria’s governments at federal and state level use their own resources more effectively to address the root causes of poverty. It does so through a policy of geographical concentration: the so-called 3+3+1 model (three focus states, three regional strategies and working with the federal government). It has the flexibility to reallocate resources between geographical areas and levels of government, depending on the level of progress that is being achieved. There are six-monthly reviews to reflect on progress. DFID Nigeria is clear that, given the high levels of corruption, measures to limit fiduciary risk are central to its value for money approach.

Uganda has had to deal with the influx of over a million refugees in recent years, mainly from South Sudan. This adds to pressures caused by high population growth, entrenched poverty and deteriorating governance conditions. DFID’s strategy has become focused on managing instability and helping the Ugandan government sustain its generous stance towards the refugees, including by channelling additional resources to host communities. In a recent portfolio review, DFID decided to move towards a smaller number of larger programmes, to improve value for money, focusing on economic development, family planning, education, gender, humanitarian support, anti-corruption and democratic governance.

Malawi is a small, landlocked and aid-dependent country under growing pressure from extreme poverty, high population growth, climate change, environmental degradation and poor governance. DFID financial support to the government was stopped in 2014 after a major corruption scandal, leading to a high reliance on multilateral partners. DFID’s country objectives include strengthening governance and accountability to citizens, building resilience to crises, promoting economic opportunity (especially in agriculture) and strengthening basic services. The value proposition for UK aid was expressed to us in terms of DFID Malawi’s contribution to DFID’s global results commitments. The country team noted that the Malawi programme’s share of DFID’s overall reported results since 2015 – in family planning (4%), nutrition (3%), water and sanitation (2%) and education (5%) – was above its share of overall expenditure (1.1% in 2015).
Conclusions on value for money in DFID’s management processes

4.71 DFID has made a sustained effort to embed value for money through the programme management cycle. It is mentioned at multiple points in the Smart Rules. DFID staff at all levels and implementers are aware of the importance of value for money and their own responsibilities for achieving it. The appointment of senior responsible owners within an empowered accountability model facilitates decision-making on value for money.

4.72 DFID has become better at identifying and monitoring cost drivers and other value for money indicators over the life of programmes. However, the key control point in its programme management cycle, the annual review score, is based on delivery of outputs rather than emerging outcomes or a more holistic measure of value for money.

4.73 The lack of coordination between centrally managed programmes and country portfolios has been a cause of concern, but a new generation of centrally managed programmes are better designed to be complementary. DFID has increased its efforts to secure greater value from its multi-bi programming.

4.74 It is at the portfolio level that we find the greatest gaps in DFID’s management processes. There is no results reporting at the country level, which is a missed opportunity to analyse the value for money of UK aid at that level and the progress DFID is making towards cross-cutting objectives.

To what extent do DFID’s value for money tools, processes and accountabilities lead to improvements in value for money?

4.75 Having explored DFID’s overall approach to value for money and how well it is embedded in its management process, we then turn to the question of whether the various value for money processes are in fact leading to improved returns on UK aid investment. The question is a difficult one to answer. We have already noted that DFID’s value for money approach is focused on achieving improvements in programmes over time, rather than against external comparators. As a result, there are no measures available of overall improvement in value for money.

There is evidence of incremental improvements in value for money across the portfolio

4.76 We asked DFID teams to provide examples across our sample of 24 programmes of where improvements in value for money had been made over the life of the programme. We then sought to verify these claims in discussions with implementing partners and by reviewing programme documentation. We found 29 instances, summarised in Box 12 with examples. In line with our earlier observations, cost savings were the most commonly reported, making up 12 of the cases. While the amounts were not always quantified, the savings were in some cases substantial and were used to expand other programme activities. There were also eight instances where underperforming activities were identified and terminated.
Box 12: Improving value for money one step at a time

 Across our sample of 24 programmes, we tracked instances of documented improvements in value for money resulting from one or more of the management tools and processes discussed in this review.

<table>
<thead>
<tr>
<th>Type of improvement</th>
<th>Programme examples</th>
</tr>
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<tbody>
<tr>
<td>8 programmes had achieved cost savings through procurement or contract negotiation</td>
<td>For the Maternal and Newborn Child Health Programme in Nigeria (£133.2 million, 2013-18), DFID’s procurement reseller conducted a technical review for the procurement of health commodities and medical equipment. This resulted in lower costs than the original estimates, as well as extended warranties and the inclusion of equipment installation in the contracts. In the Support to Family Planning in Malawi programme (£27.4 million, 2011-18), DFID reported savings of over £900,000 by using UNFPA’s global framework agreement for purchasing health commodities. The Trade Mark East Africa programme in Uganda (£38.8 million, 2009-17) reported savings of £1 million through more effective procurement of a road building project. The savings were redeployed elsewhere in the programme.</td>
</tr>
<tr>
<td>4 had achieved other cost savings</td>
<td>The Emergency Humanitarian Relief in North East Nigeria programme (£5.7 million, 2014-16) coordinated with partner organisations to optimise use of seats and cargo capacity to ensure more efficient utilisation of the aircraft payload on every flight.</td>
</tr>
<tr>
<td>2 had leveraged additional financial resources to support the programme’s objectives</td>
<td>As part of the Private Sector Development Programme in Malawi (£17.39 million, 2013-22), the Malawi Innovation Challenge Fund grantees invested more than $1.46 of their own money in activities supported by the Fund for every $1 that the Fund invested.</td>
</tr>
<tr>
<td>1 had detected and addressed fraud</td>
<td>The Building Empowerment and Accountability in Malawi programme (£25 million, 2010-18) included a whistleblowing facility for reporting fraud. It identified a number of fraud cases. DFID took a range of actions in response, including running test cases in court and recouping lost funds, and invested in building stronger financial management capacity among grantees.</td>
</tr>
<tr>
<td>8 programme components had been closed because they were underperforming and offered poor value</td>
<td>DFID Pakistan opted to close a component of its Punjab Education Support Programme II (£384.2 million, 2013-20) when monitoring showed that it was not delivering value for money. The component offered finance to low-cost private schools to boost the quality of their teaching. However, when it was found that the support was not achieving this, the component was stopped and its £9 million budget was reallocated within the wider programme.</td>
</tr>
<tr>
<td>1 new activity was added to improve cost efficiency</td>
<td>The Child Development Grant Programme in Nigeria (£56.5 million, 2012-19) achieved cost efficiencies through using community volunteers instead of paid staff to reduce costs for mobilising and organising communities.</td>
</tr>
<tr>
<td>5 existing activities were redesigned to improve cost effectiveness</td>
<td>The Accelerating the Rise in Contraceptive Prevalence in Uganda programme (£30.8 million, 2011-17) encountered high costs when it sent mobile outreach teams to dispersed populations in remote areas. DFID Uganda worked with the implementing partners to identify ways to minimise costs, such as through better scheduling of visits. This enabled it to bring down unit costs. DFID Uganda is switching from distributing food to distributing cash in its South Sudan Refugee Regional Response – Uganda Programme (£26.6 million, 2015-17). Drawing on global evidence that cash transfers offer better value for money, DFID encouraged its implementing partner, the World Food Programme, to introduce a cash transfers component. The decision was validated by subsequent evidence, including savings in transportation costs and the additional boost to local food markets. It was also found that cash transfer recipients consumed more food with greater variety than those who had received food parcels.</td>
</tr>
</tbody>
</table>
4.77 Despite frequent changes in logframes, we found relatively few instances of DFID changing the mix of activities in order to achieve greater efficiency. This suggests that DFID may have been more focused on managing costs than on experimenting with delivery options and activities to maximise results. We would have expected to see more examples of DFID experimenting and innovating with delivery options within project lifetimes to improve efficiency over the life of the programme. Our sample is not large enough to assess whether this is the general pattern, but it merits further consideration by DFID.

DFID takes action to address underperformance

4.78 Programmes are scored through annual reviews, and programmes that score consistently below expectations must be placed under programme improvement measures and may be cancelled if they fail to improve. As discussed above, weaknesses in annual review scoring make it difficult to be confident that all instances of underperformance are identified. Nonetheless, we heard from DFID staff that underperforming programmes are now identified earlier and closed if their performance does not improve. Several staff members from country offices described instances of management ensuring staff that it was acceptable to acknowledge failure – evidence of a positive shift in the corporate culture. This is important, as a key test of a strong commissioning department is whether it moves swiftly to decommission activities that are not proving to be good value for money.

DFID has pushed its multilateral partners to improve their management systems and their focus on results

4.79 We saw a good range of evidence that DFID’s advocacy with multilateral partners, both through the Multilateral Development Review process and at country level, was delivering meaningful management changes, leading to a stronger focus on results and value for money. We collected examples of changes to multilateral partner systems and practices that DFID believes it has contributed to, and checked them through interviews with multilateral partners and documentary evidence. Those for which we found supporting evidence are summarised in Box 13. As DFID is only one voice among many in the multilateral system, we cannot necessarily identify the level of attribution involved, but we find it plausible that DFID made a significant contribution in these areas.

Box 13: Examples of effective DFID influence over multilateral partners

**Improving effectiveness**

- DFID helped to develop a Partners’ Engagement Framework for Gavi, the Vaccine Alliance. This changes the way that Gavi works with its key implementers, the World Health Organization and UNICEF, to improve their coordination around country-driven assistance plans and increase their accountability for results.71

- DFID promoted the adoption of an International Cooperation and Development Results Framework for the European Union Development Fund in 2015. This provides a new framework for measuring and reporting on results.72

- DFID was instrumental in strengthening the International Monetary Fund’s programme of capacity development for low-income countries, which focuses on macroeconomic management and tax policy.

- The UK’s £900 million funding for the Global Fund to Fight AIDS, Tuberculosis and Malaria includes a performance tranche, with payment linked to demonstrated results for the most vulnerable and hardest-to-reach communities.

- DFID’s advocacy led the G7 group of countries to issue several statements encouraging the multilateral development banks to develop a consistent approach to measuring value for money. This is now being pursued by an inter-bank working group.

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71. For a description, see A new Gavi Engagement Framework 2016-2020, presentation to the Gavi board meeting, Geneva, June 2015, link.

72. For a description, see Launching the EU International Cooperation and Development Results Framework, Commission Staff Working Document, Brussels, March 2015, link.
DFID’s learning on value for money has been more ad hoc than systematic

4.80 There is evidence that learning on value for money is occurring across DFID. We have seen examples of sharing of good practice, often through informal channels, and more structured approaches to learning are beginning to emerge. For example, DFID Pakistan has established a value for money group in the country team. There have been one-off studies, such as a value for money analysis of the regional response to the South Sudan refugee crisis, which DFID Uganda used to identify areas of improvement in its own programming. At the time of our visit, one family planning programme in Uganda was about to commission an analysis to inform the value for money strategy for the next phase of the programme.

4.81 DFID’s Finance and Corporate Performance Department has convened an internal value for money network, bringing together the sector value for money leads and other interested parties. Members of this group were commissioned by DFID’s Investment Committee to develop value for money sector guides. At the time of our research, the first batch of these had been completed. We reviewed the guides on humanitarian assistance and climate and environment programming. They offer useful guidance on sector-specific issues, such as the value for money case for investing in humanitarian preparedness and how to conduct an economic appraisal of a climate change programme, given the lengthy time periods involved. The guides contain examples of good practice from DFID programmes, with links to DFID’s value for money teamsite on its intranet and lists of staff with particular expertise.

4.82 This is a welcome step towards a more structured approach to sharing learning on how to achieve – and assess – value for money. One observation from our fieldwork is that, in many instances, DFID staff and implementing partners are working largely on their own to come up with credible approaches to maximising value for money, often from first principles. There is a heavy time cost to reinventing the wheel in each programme. As DFID’s approach to value for money matures, it should invest in tools, models and indicators that can be adapted for individual programmes to reduce transaction costs, and in sharing these with its partners.

Improving efficiency

• DFID has been working with the regional development banks to help them optimise their balance sheets so that they can increase lending volumes with minimal budget increases.

• DFID encouraged UNAIDS to concentrate its activities in 35 fast-track countries that represent 90% of new HIV infections.

• UK-funded technical assistance for the Global Fund to Fight AIDS, Tuberculosis and Malaria helped to shift its delivery approach in nine countries to become more cost-effective, including through stronger supply chain management to reduce wastage and stock-outs in vital medicines.

Improving economy

• DFID has supported the development of Gavi’s market-shaping approach, enabling it to purchase vaccines well below market prices. Gavi pools demand for vaccines across developing countries through a collective procurement mechanism. This provides greater certainty for manufacturers, enabling them to produce more vaccines at lower prices. It has also encouraged the emergence of drug manufacturing in developing countries. Gavi is now able to purchase the pentavalent vaccine (designed to protect against five childhood diseases) for as little as 88p, compared to £23 in the US market.

• DFID has pushed the World Health Organization to improve its procurement practices, resulting in a range of savings.

• DFID advocated for the Rome-based UN agencies to introduce voluntary restraints on pay and allowances.73

73 The Food and Agriculture Organization, the International Fund for Agricultural Development and the World Food Programme.
DFID’s evaluations are not consistently focused on value for money

4.83 The evaluation function in DFID is decentralised to country offices, which allocate a limited evaluation budget across reviews according to various criteria, including the strength of the existing evidence base, the size and strategic importance of the programme and the levels of risk and innovation involved. Good quality and timely evaluation work can contribute to value for money by assessing programme performance and building the evidence base on what works.

4.84 Across the limited number of evaluations that we examined for this review, the approach and level of attention to value for money was inconsistent. They did not assess programme performance by reference to the original economic appraisal in the business case. Because evaluation methodologies are so varied, they do not generate comparative data on cost effectiveness across particular sectors or thematic areas. While a diversity of evaluation methodologies is necessary, there is scope for DFID to give more consideration to how evaluation fits into its value for money approach.

Conclusions on effectiveness in using tools, processes and accountabilities to improve value for money

4.85 DFID has made a significant commitment to improving value for money. It is encouraging its implementing partners – whether non-governmental organisations, contractors or multilateral agencies – to put value for money at the heart of what they do. We have seen a range of improvements in the management practices of DFID’s multilateral partners. We have also seen a good range of incremental improvements at programme level, mainly at the level of cost savings. We have seen some evidence that DFID is experimenting within programmes to achieve greater efficiency and better results, although this is not consistent. DFID has also got better at identifying programmes that are failing to reach their output targets and taking remedial action.

4.86 While there is no way of quantifying the cumulative gains from DFID’s efforts on value for money, it is clear that the work to date is helping to make UK aid investment go further.
5 Conclusions & recommendations

Conclusions

5.1 We have found that DFID’s approach to value for money has strengthened and matured in recent years, helped by improvements in DFID’s programme management systems. Value for money is more deeply embedded into the department’s management processes and organisational culture, so that it is now difficult to distinguish value for money from other aspects of programme management. DFID has been a powerful advocate for value for money among its implementers and multilateral partners, and its efforts are recognised as driving a stronger focus on results and the most efficient ways of achieving them. It tracks key value for money measures through the life of its programmes, and moves quickly to take remedial action when programmes underperform.

5.2 We have also found some gaps or weaknesses in how value for money is addressed through the programme management cycle. While DFID monitors changes in value for money, it does not verify during the life of the programme whether the original value for money case was valid. While the guidance documents stress the importance of maximising impact for beneficiaries – including hard-to-measure impacts – in practice the main focus continues to be on controlling costs and holding implementers to account for efficient delivery. These are important in ensuring value for taxpayers, and in straightforward programmes may provide sufficient assurance of overall value for money. For more complex interventions, however, it is not enough to focus on efficient delivery; DFID also needs to focus on whether it is doing the right things, and whether it is on track to achieve the intended results in the most cost-effective way. DFID also needs to get better at assessing how programmes contribute to transformative results – that is, more complex results that are achieved by working with and influencing others.

5.3 We have also found that value for money processes and results reporting are underdeveloped at the country portfolio level. Country strategies do not provide enough guidance on cross-cutting objectives so that they can be built into programme design. Its results management systems do not capture synergies across groups of linked programmes.

5.4 We conclude that DFID has come a long way on embedding value for money into its management processes. It is now well placed to take the value for money agenda to the next level, to reflect a more holistic view of value for money, focusing not just on the individual programme as a self-contained unit but on how well UK aid delivers its wider development objectives and contributes to the Sustainable Development Goals.

5.5 The following recommendations are intended to support this transition. As they concern some of DFID’s core management process, they are framed as issues to address or areas to develop, rather than as precise courses of action, as DFID itself will be better placed to work through the details.

Recommendations

Recommendation 1: DFID country offices should articulate cross-cutting value for money objectives at the country portfolio level, and should report periodically on progress at that level.

Problem statements

- DFID country offices do not sufficiently articulate drivers of value at the strategic level, so that they can be reflected in the design of individual programmes.
- Country offices do not provide sufficient guidance on how programmes should manage trade-offs between different drivers of value, such as reaching marginalised groups versus maximising beneficiary numbers.
- DFID lacks systems for maximising, monitoring and reporting on the achievement of cross-cutting objectives – such as building resilience or promoting economic transformation – across portfolios of linked programmes. Such cross-cutting objectives are integral to the Sustainable Development Goals.
Recommendation 2: Drawing on its experience with introducing adaptive programming, DFID should encourage programmes to experiment with different ways of delivering results more cost-effectively, particularly for more complex programming.

Problem statements
- In practice, more of the effort to achieve value for money is placed by DFID on controlling costs and ensuring efficient delivery, despite central guidance promoting a more holistic approach.
- DFID’s guidance on value for money does not distinguish between the value for money approaches and techniques used for simple and complex programmes (or elements of them).
- Despite DFID’s recent moves towards adaptive programming, we saw few examples of programmes experimenting with different options for delivering results cost-effectively.

Recommendation 3: DFID should ensure that principles of development effectiveness – such as ensuring partner country leadership, building national capacity and empowering beneficiaries – are more explicit in its value for money approach. Programmes should reflect these principles where appropriate in their value for money frameworks, and incorporate qualitative indicators of progress at that level.

Problem statements
- DFID’s commitments on development effectiveness do not properly inform its value for money assessments, and may therefore be at risk of being deprioritised.
- Programmes do not seek to monitor their compliance with principles such as building country leadership and sustainable capacity.

Recommendation 4: DFID should be more explicit about the assumptions underlying the economic case in its business cases, and ensure that these are taken into account in programme monitoring. Delivery plans should specify points in the programme cycle when the economic case should be fully reassessed. Senior responsible owners should also determine whether a reassessment is needed following material changes in the programme, results targets or context.

Problem statements
- The assumptions underlying economic appraisals are not always explicit enough to allow subsequent verification.
- Economic appraisals in business cases are not routinely revisited during the life of the programme, or following significant changes to the programme.

Recommendation 5: Annual review scores should include an assessment of whether programmes are likely to achieve their intended outcomes in a cost-effective way. DFID should consider introducing further quality assurance into the setting and adjustment of logframe targets.

Problem statements
- Annual review scores do not reflect whether the programme is on track to achieve its intended outcomes.
- There is not enough quality control over the setting of targets and milestones in programme logframes.
- Frequent revision of logframe targets makes both annual review scores and, by extension, the Portfolio Quality Index unreliable measures of value for money.
### Multi-year Humanitarian Programme in Pakistan (MYHP)

£100 million  
December 2014 - September 2019

**Description:** The programme provides support for up to three million of the most vulnerable people affected by natural disaster and conflict. This will cover both immediate relief and early recovery interventions for shelter, food, non-food items, water and sanitation, livelihood and protection needs, depending on the emergency. The programme will also support developments in the UN and local civil society, which are required for humanitarian responses to be more locally owned and effective in future, as well as effective monitoring and evaluation, targeted active research and piloting. The MYHP is divided into four pillars: Pillar I focuses on preparedness, response, and early recovery in natural disasters; Pillar II is related to complex emergency and conflict-induced displacement; Pillar III is a contingency fund able to top up the responses when large-scale emergencies occur; and Pillar IV focuses on evidence, learning and monitoring and evaluation.

<table>
<thead>
<tr>
<th>Programme</th>
<th>Country</th>
<th>Budget</th>
<th>Number of active programmes</th>
</tr>
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<tbody>
<tr>
<td>Skills Development Programme (SDP)</td>
<td>£384.2 million</td>
<td>June 2015 - June 2021</td>
<td></td>
</tr>
<tr>
<td>Punjaban Education Support Programme II (PESP)</td>
<td>£384.2 million</td>
<td>February 2013 - March 2020</td>
<td></td>
</tr>
<tr>
<td>Enterprise and Assets Growth Programme (EAGP)</td>
<td>£200.4 million</td>
<td>May 2014 - March 2024</td>
<td></td>
</tr>
<tr>
<td>AAWAZ – Voice and Accountability Programme</td>
<td>£39.1 million</td>
<td>May 2012 - May 2017</td>
<td></td>
</tr>
<tr>
<td>Pakistan Economic Corridors Project (PCEP)</td>
<td>£265.1 million</td>
<td>February 2015 - March 2020</td>
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</tbody>
</table>

**Skills Development Programme (SDP)** aims to facilitate increased incomes for poor people by providing them with the technical and vocational skills needed for better employment. By 2021, the programme is expected to train 330,000 poor and vulnerable people (40% women) through the Punjab Skills Development Fund (PSDF). SDP comprises two components: training and technical assistance (TA), both of which are being implemented by PSDF. PSDF will train people in a variety of trades such as welding, industrial stitching, driving and farm management. The TA will enable PSDF to build its institutional capacity, conduct research and evaluation, test innovative skill schemes and work in collaboration with other donors for skills sector policy and regulatory reforms.

**Punjab Education Support Programme II (PESP)** aims to improve access, retention and quality of education for all children in primary and secondary schools in Punjab Province. All school children (6 million primary, 4 million secondary) who attend government schools, and children attending school through the Punjab Education Foundation (around 2.2 million), will have benefited from UK support in Punjab by March 2019.

**Enterprise and Assets Growth Programme (EAGP)** is a £200 million programme that aims to create jobs and increase incomes of the poor, young people and women in Pakistan. It does this by improving access to finance for microenterprises and small and medium-sized enterprises (SMEs).

**AAWAZ – Voice and Accountability Programme** is DFID Pakistan’s largest demand-side voice and accountability programme. It aims to ensure that democratic processes are more open, inclusive and accountable to citizens in Pakistan. It focuses on women’s and minority rights, their political participation and decision-making, tolerance and prevention of violence, and increasing the accountability and responsiveness of the state to citizens’ demands for improved service delivery.

**Pakistan Economic Corridors Project (PCEP)** aims to improve transport infrastructure in Pakistan, enhance private sector involvement in infrastructure financing and road safety interventions, and support the regulatory environment. The aim is to increase trade and economic growth in Pakistan.
Programme Budget Timing
Malawi Humanitarian Preparedness and Response Programme (HPRP) £70 million March 2016 - March 2018
Description: The original plan was for a five-year (2016-21) flexible programme to address Malawi’s cyclical crises, build resilience and help break the cycle of dependence on humanitarian aid. However, the massive scale of the 2016-17 drought response led to a revision of timelines and budgets. The end date was brought forward to March 2018 and the budget was increased from £35 million to £70 million. The HPRP has had three phases:
• Phase 1 (March 2016 to July 2016): Response to the 2015-16 floods.
• Phase 2 (July 2016 to March 2017): Food and cash were distributed to 6.7 million people and those with capability were helped with agricultural inputs such as seeds and technical advice. DFID also provided nutritional screening for over 1 million children and treatment for approximately 100,000 children, pregnant women and other vulnerable groups.
• Phase 3 (April 2017 to March 2018): DFID and other donors have increased efforts to break the cycle of humanitarian aid through the adoption of a social protection model. This combines resilience-building (including asset protection, irrigation, crop diversification and improvement of agricultural systems) with shock response (the most vulnerable people are provided with cash support when shocks occur). DFID has committed £16 million to this phase.

Justice for Vulnerable Groups in Malawi (JVG) £16 million December 2011 - December 2017
Description: The programme aims to:
• Strengthen existing community and district mechanisms (police and community victim support units and civil society groups) to support women and children who are victims of violence and sexual abuse, including improving links to health services for rape survivors.
• Support customary courts to enable women to seek redress from domestic abuse and access land.
• Work with key actors in the criminal justice system to ensure support for and diversion of children in contact with the law and shorten the duration of custody for pre-trial detainees.

Support to Family Planning in Malawi (MFPP) £27.4 million December 2011 - March 2018
Description: The Malawi Family Planning Programme aims to increase the coverage and use of effective family planning in Malawi over five years (2011-18), particularly among the rural population, the poorest and young women. The programme was initially set up to start in 2011 to 2016 but was subsequently changed to start in 2013 to 2018 due to delays in the completion of the programme tendering process through the Reproductive Health Framework.

Institutional Support to the Electoral Process (ISEP) £7.7 million February 2013 - June 2017
Description: The programme aimed to support long-term institutional strengthening of the electoral process in Malawi, as outlined in the DFID Malawi Operational Plan. £5.5 million of the funding supported the lead-up to and immediate aftermath of the 2014 presidential, parliamentary and local elections. Post-election support (2015-16 onwards) focused on improving the legislative framework for future elections and monitoring the implementation of commitments made by locally elected representatives.

Private Sector Development Programme (PSD) £17.4 million February 2013 - February 2022
Description: The DFID Malawi PSD programme seeks to contribute to national development by supporting the inclusive growth of the private sector, which has traditionally been under-supported by donors. The programme adopts a whole systems approach, seeking to effect change at the micro (firm), meso (sector) and macro (better business climate / national trading capacity) levels.

DFID’s PSD programme focuses on investing in business in key investment areas (such as agri-business, innovation and irrigation) to strengthen market links and create new jobs for poor people in priority high-value sectors (such as oilseeds, rice, pigeon peas and pico-solar), and on taking action to address some of the key underlying legal and regulatory constraints to private sector growth in Malawi.
Building Empowerment and Accountability in Malawi (BEAM) £25 million December 2010 - April 2018

**Description:** BEAM focuses on supporting civil society capacity-building to monitor service delivery and accountability and improving the government of Malawi’s capacity to account for public resources. It also supports the government of Malawi’s efforts to investigate and prosecute high-level corruption cases. The programme combined 14 original components in the design phase, but has been rationalised to concentrate on three main components following the streamlining of its objectives. These are:

1. **Tilitonse** - a multi-donor civil society governance fund (Tilitonse) combined with an independent impact evaluation agent (IIEA)
2. **Kalondolondo** - an accountable grant to a consortium of Plan Malawi, CONGOMA and ActionAid for a community-based monitoring programme

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<table>
<thead>
<tr>
<th>Country</th>
<th>Country budget</th>
<th>Number of active programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria</td>
<td>£287 million (2017-18)</td>
<td>38</td>
</tr>
</tbody>
</table>

**Programme**

<table>
<thead>
<tr>
<th>Programme</th>
<th>Budget</th>
<th>Timing</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Humanitarian Relief in North-East Nigeria (EHRN)</td>
<td>£5.7 million</td>
<td>September 2014 - May 2016</td>
<td>The programme provided contributions to the ICRC, UNICEF, OCHA, Oxfam and UNHAS to address the growing humanitarian situation in north-east Nigeria.</td>
</tr>
<tr>
<td>Maternal and Newborn Child Health Programme (MNCH2)</td>
<td>£133.2 million</td>
<td>August 2013 - December 2018</td>
<td>The programme aims to improve maternal and newborn child health in northern Nigeria through increased skilled birth attendance, antenatal care attendance, immunisation rates, newborns receiving low-cost, life-saving interventions, and pregnant women and children being protected from vaccine-preventable diseases.</td>
</tr>
<tr>
<td>Child Development Grant Programme (CDG)</td>
<td>£56.5 million</td>
<td>December 2012 - July 2019</td>
<td>The programme aims to prevent stunting in children under five by providing monthly cash transfers with nutrition education to 110,000 pregnant mothers and mothers with children under two, giving them the resources and knowledge to provide their young children with a balanced and healthy diet.</td>
</tr>
<tr>
<td>Financial Sector Development Programme (FSDP)</td>
<td>£38.17 million</td>
<td>October 2006 - March 2018</td>
<td>The programme aims to enhance stability in the financial sector and expand access to financial services for the poor. FSDP aims to make the financial sector work better and has focused on the development of Enhancing Financial Innovation &amp; Access (EFInA). Similar FSD organisations have been developed elsewhere in Africa (such as Kenya). The other (smaller) component was a contract with the IMF for the provision of technical assistance to the Central Bank of Nigeria (CBN), through advisors located in CBN as well as short-term specialist support.</td>
</tr>
<tr>
<td>Regional Initiative Fund 2</td>
<td>£2.3 million</td>
<td>February 2014 - February 2017</td>
<td>The programme aims to improve state-level policy-making processes by providing state governments and civil society organisations with technical advice and support. This will benefit the populations of the states in which DFID works and improve the ability of DFID Nigeria’s whole portfolio of programmes to deliver improvements for poor people.</td>
</tr>
<tr>
<td>Girls Education Project (GEP) Phase 3</td>
<td>£106.7 million</td>
<td>May 2012 - December 2020</td>
<td>Improved social and economic opportunities for girls.</td>
</tr>
</tbody>
</table>
## Programme Budget Timing

### Accelerating the Rise in Contraceptive Prevalence in Uganda (ARC) £30.8 million September 2011 - July 2017

**Description:** The ARC programme aimed to increase the availability and use of cost-effective modern family planning services through partnership between state and non-state actors. This programme aimed to make possible a major uplift in the provision of family planning services. The programme focused on improving the range of available choices, particularly so that more women who would like to can access long-term and permanent contraceptive methods, and tried to ensure that the poorest groups benefited most from the programme.

<table>
<thead>
<tr>
<th>Country Country budget</th>
<th>Number of active programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uganda £72.6 million</td>
<td>19</td>
</tr>
</tbody>
</table>

### South Sudan Refugee Regional Response – Uganda Programme (SSRRR) £26.6 million May 2015 - March 2017

**Description:** The programme aims to support life-saving assistance and critical protection, relieve suffering and maintain the dignity of those forced to flee the humanitarian crisis in South Sudan to neighbouring countries. This builds on the £58.9 million that was committed in 2014 and is in response to the UN Inter-Agency South Sudan Regional Refugee Response Plan 2015.

The following organisations were funded:
- WFP - Provided in-kind food assistance and targeted nutrition support, targeted cash assistance, support for the preparation for using biometrics in GFD and assessments for the livelihoods project.
- UNHCR - Supported primary healthcare, primary and secondary education, provision of core relief items, satisfactory sanitation and hygiene conditions, access to clean water, protection activities, improved self-reliance and improved reception facilities.
- UNICEF - Supported WASH, nutrition, public health, education, immunisation, child protection and surge staffing support.

### Post-Conflict Development in Northern Uganda (PCDNU) £100.5 million June 2009 - December 2016

**Description:** This programme aimed to improve access to key basic social services – especially health and education, reverse economic stagnation, tackle youth unemployment, tackle extreme poverty and vulnerability and support national reconciliation and conflict resolution processes.

### Trademark East Africa – Uganda Window (TMEA) £39.9 million October 2009 - September 2017

**Description:** The programme aims to achieve greater regional integration and trade competitiveness in Uganda. It is expected to reduce transport times along the northern corridor by 15% and increase Uganda’s exports by 10%.

### Strengthening Uganda’s Anti-Corruption and Accountability Regime (SUGAR) £29.2 million August 2014 - April 2020

**Description:** The programme aims to support increased accountability in Uganda by addressing corruption. It supports central government accountability of institutions, to improve coordination across the anti-corruption and accountability sector in identifying, investigating and prosecuting the corrupt, ensuring they are administratively and criminally sanctioned and their assets confiscated, and to also increase citizen participation in local governance and the accountability of 35 local governments for effective service delivery.

### Financial Service Inclusion Programme (FSIP) £17.0 million April 2012 - March 2019

**Description:** The programme was developed to improve access to financial services such as credit, savings accounts and insurance for 1 million people in Uganda. The programme will work directly with banks, mobile operators and other financial institutions as well as with the government to improve regulation.

FSIP aims to create a deeper, broader and more inclusive financial sector in Uganda, leading to sustainable improvement in the livelihood of poor people.
### Centrally managed programme sample

<table>
<thead>
<tr>
<th>Programme</th>
<th>Budget</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>International Growth Centre (IGC) – Phase 2</strong></td>
<td>£56.9 million</td>
<td>May 2013 - December 2018</td>
</tr>
<tr>
<td><strong>Description:</strong> The programme aims to improve economic growth policies and programmes in 15 DFID focus countries to increase economic development for poverty reduction. This is being done through country programmes that provide growth policy advice based on demands from policy-makers in partner governments.</td>
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</table>

| **Impact (investment mobilisation for prosperity and catalytic transformation) programme** | £757.4 million | December 2012 - December 2035 |
| **Description:** The programme aims to catalyse the market for impact investment in sub-Saharan Africa and South Asia. Impact investments are those that have both a financial and a social return, benefitting poor and low-income people by improving access to affordable goods and services and income-generating opportunities at the base of the pyramid. The programme is managed by a programme coordination unit (commercially tendered to PWC) working in partnership with CDC and the Global Impact Investing Network. The programme has two main components: |
| 1. Support to develop and grow the impact investment market in sub-Saharan Africa and South Asia. |
| 2. DFID impact funds managed by CDC. CDC is investing DFID’s patient capital in impact investments that invest in transformative enterprises, which serve the poor as consumers, producers, suppliers or employees. Technical assistance is also being made available to the underlying enterprises. |

| **Core support to private infrastructure development group (PIDG)** | £772.0 million | March 2012 - December 2019 |
| **Description:** The programme aims to achieve increased responsible private sector participation in sustainable infrastructure in poorer developing countries through increased flows of private capital and expertise. |
| PIDG was first set up in 2002, although the current programme started in 2012. PIDG comprises a number of facilities as well as a central management office. |
| PIDG uses public money to get private companies to pay for infrastructure projects in poor countries. The way they do it means that poor people get better services, which transform their lives, and the companies get good returns. |

| **UK Aid Direct (UKAD)** | £285.6 million | September 2010 - March 2025 |
| **Description:** UK Aid Direct is the second phase of the Global Poverty Action Fund (GPAF). It continues DFID’s work with small and medium-sized CSOs as a way to reach the most marginalised populations. |
| The programme provides competitive funding to UK and overseas-based small and medium-sized CSOs to support them in contributing to the decline of poverty in a range of the poorest countries, working towards the achievement of the Millennium Development Goals and the post-2015 Sustainable Development Goals. |